

Amend Section 6363.3 of the Revenue and Taxation Code to 1) extend indefinitely the sales and use tax exemption for sales of used clothing, household items, or other retail items by thrift stores operated for purposes of raising funds to provide specified services to AIDS patients, and 2) broaden the exemption to sales by thrift stores operated for purposes of raising funds to provide specified services to cancer patients.

Source: Board of Equalization

Under existing law, the sales tax or the use tax applies to the sale or use of tangible personal property (including second hand property) in this state, unless specifically exempted by law. Under existing law, Section 6363.3 of the Revenue and Taxation Code, as added by AB 3187 (Stats. 1996, Ch. 781), provides a sales and use tax exemption until January 1, 2002 for sales of used clothing, household items, and other retail items sold by thrift stores operated by a nonprofit organization. To qualify, the purpose of the thrift store must be to obtain revenue for the funding of medical and social services to individuals with AIDS, and at least 75 percent of those revenues must actually be expended for that purpose.

Current law also provides an exemption for sales by other charitable organizations. Under Section 6375 of the Revenue and Taxation Code, sales (including thrift store sales) by charitable organizations are exempt from sales and use tax under the following conditions:

1. The organization must be formed and operated for charitable purposes and must qualify for the "welfare exemption" from property taxation provided by Section 214 of the Revenue and Taxation Code.
2. The organization must be engaged in the relief of poverty and distress.
3. The organization's sales must be made principally as a matter of assistance to purchasers in distressed financial condition.
4. The property sold must have been made, prepared, and assembled or manufactured by the organization.

Merchandise sold through thrift stores operated by Goodwill Industries, the Salvation Army, and St. Vincent de Paul, for example, qualify for the exemption under Section 6375.

This proposal would amend Section 6363.3 of the Sales and Use Tax Law to delete the sunset date of January 1, 2002, thereby extending indefinitely the exemption for sales by thrift stores operated for purposes of funding medical and social services to individuals with AIDS, and to additionally include within the exemption sales of similar merchandise through thrift stores operated for purposes of raising funds for cancer patients.

Section 6363.3 of the Revenue and Taxation Code is amended to read:

6363.3. ~~(a)~~—There are exempted from the taxes imposed by this part, the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, used pieces of clothing, household items, or other retail items sold by thrift stores operated by a nonprofit organization if the purpose of that thrift store is to obtain revenue for the funding of medical ~~and~~ or social services to chronically ill individuals, and at least 75 percent of those net revenues are actually expended for the purpose of providing medical ~~and~~ or social services to the chronically ill. For purposes of this section, "nonprofit organization" means an organization that provides medical ~~and~~ or social services to individuals with a chronic, life-threatening illness, as defined in Section 109285 of, or subdivision (c) of Section 1568.01 of, the Health and Safety Code, and is exempt from taxation under Section 23701d.

~~(b) This section shall cease to be operative on January 1, 2002, and as of that date is repealed.~~